

Message Text

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AMCONSUL LENINGRAD

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USDOC FOR BEWT/TDAD

E.O. 11652: N/A

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SUBJECT: BUSINESS FACILITATION: PROBLEMS OF U.S. FIRMS WORKING
OUTSIDE MOSCOW

REF: STATE 36151 (NOTAL); LENINGRAD 250

1. IN EXPERIENCE OF COMMERCIAL OFFICE, PROBLEMS FACED BY PERSONNEL OF U.S. FIRMS WORKING ON SOVIET PROJECTS OUTSIDE MOSCOW ARE FORMIDABLE. AMCONSUL LENINGRAD'S EXCELLENT REPORT ON PROBLEMS FACED BY U.S. TECHNICIANS WORKING IN VENTSPILS COULD BE USED IN BRIEFING MEMBERS OF CHEMICO GROUP BOUND FOR TOGLIATTI. IT IS SAFE TO SAY, HOWEVER, THAT CONDITIONS IN TOGLIATTI WILL BE CONSIDERABLY LESS FAVORABLE THAN THOSE ENCOUNTERED BY U.S. TECHNICIANS IN VENTSPILS. HEAVY TURNOVER IN U.S. GROUP IN VENTSPILS, RESULTING FROM DISSATISFACTION WITH LIVING CONDITIONS, IS LIKELY TO BE REPEATED IN CASE OF CHEMICO GROUP IN TOGLIATTI.

2. COMMERCIAL OFFICE BELIEVES THAT BEWT SHOULD POINT OUT TO CHEMICO GREAT ADVANTAGE WHICH OPENING OF ITS MOSCOW OFFICE, AS IT IS NOW AUTHORIZED TO DO, WOULD PROVIDE IN TERMS OF SUPPORTING ITS TECHNICIANS IN TOGLIATTI. BY HAVING PERMANENT OFFICE IN MOSCOW, CHEMICO WOULD BE ABLE TO PROVIDE MANY NECESSARY SERVICES FOR ITS GROUP IN

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TOGLIATTI AND COULD SERVE AS POINT OF CONTACT BETWEEN TOGLIATTI-BASED PERSONNEL AND APPROPRIATE SOVIET OFFICES IN MOSCOW. COMMER-

CIAL OFFICE'S EXPERIENCES WITH U.S. TECHNICIANS WORKING AT KAMAZ (SEE 75 MOSCOW A-395) INDICATES, FOR EXAMPLE, THAT MANY DAY-TO-DAY PROBLEMS SIMPLY CANNOT BE RESOLVED ON THE SPOT BUT MUST BE REFERRED TO MOSCOW FOR RESOLUTION. IF CHEMICO DOES NOT MOVE AHEAD AND OPEN OFFICE IN MOSCOW, COMMERCIAL OFFICE WILL, OF COURSE, DO ALL IT CAN TO SUPPORT CHEMICO TECHNICIANS IN TOGLIATTI. (COMMENT: ON MATTER OF OPENING OFFICE, CHEMICO SHOULD BE WARNED THAT MINISTRY OF FOREIGN TRADE WILL ALMOST CERTAINLY REACT NEGATIVELY IF CHEMICO DOES NOT SHOW SOME SIGNS OF MOVEMENT ON ARRANGING FOR MOSCOW OFFICE. MINISTRY OBVIOUSLY HAD TO MAKE SELECTION AMONG FIRMS WHICH HAD APPLIED FOR MOSCOW OFFICE WHEN IT DECIDED TO GRANT ACCREDITATION TO CHEMICO, AND INDICATION THAT CHEMICO IS NOW SPURNING THIS MOVE BY SOVIETS WILL NOT GO DOWN WELL. END COMMENT).

3. TURNING NOW TO SPECIFIC QUESTIONS IN STATE REFTEL, WE HAVE FOLLOWING COMMENTS:

1) AS WE UNDERSTAND SOVIET TELEX SYSTEM, IT IS DIVIDED INTO TWO PARTS. ONE PART IS USED ONLY AMONG SOVIET ORGANIZATIONS AND CANNOT BE USED TO SEND OR RECEIVE MESSAGES ABROAD. SECOND PART OF TELEX SYSTEM IS USED FOR INTERNATIONAL COMMUNICATIONS. ONLY SOVIET ORGANIZATIONS WHICH CAN UTILIZE THIS SYSTEM ARE FOREIGN TRADE ORGANIZATIONS AND THOSE MINISTRIES (FOREIGN AFFAIRS, FOREIGN TRADE) WHICH ARE PERMITTED TO MAINTAIN DIRECT CONTACT WITH FOREIGN ORGANIZATIONS. TELEXES BELONGING TO EMBASSIES, ACCREDITED COMPANIES AND ACCREDITED PRESS BUREAUS ARE PART OF THIS SECOND TELEX NETWORK. IN CASE OF KAMAZ, SOVIETS APPEAR TO HAVE MADE EXCEPTION TO STANDARD PROCEDURE IN THAT KAMAZ TELEX CAN BE USED BY FOREIGN TECHNICIANS FOR DIRECT COMMUNICATIONS WITH OUTSIDE WORLD. SURVEY OF COMMERCIAL OFFICERS IN OTHER WESTERN EMBASSIES REVEALS NO RPT NO CASES IN WHICH TECHNICIANS STATIONED OUTSIDE MOSCOW HAVE BEEN ALLOWED TO HAVE TELEX TERMINAL FOR COMMUNICATIONS OUTSIDE USSR. UK COMMERCIAL OFFICE ADVISES THAT "POLYSPINNERS" GROUP WHICH WAS IN MOGILEV 1969-72 WAS NOT ALLOWED TO HAVE TELEX, AND FRG COMMERCIAL OFFICER REPORTS THAT KRUPP TECHNICIANS CURRENTLY IN MOGILEV DO NOT HAVE TELEX. CONSEQUENTLY, WE BELIEVE CHEMICO WILL HAVE TO MAKE MAJOR EFFORT TO OBTAIN SOVIET AGREEMENT TO INSTALLATION OF TELEX AT TOGLIATTI. ONE POSSIBILITY WHICH CHEMICO MIGHT WISH TO CONSIDER IS JOINT APPROACH LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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WITH CRUESOT-LOIRE/SPECHIM-ENSA, WHICH HAS CONTRACT FOR OTHER FOUR AMMONIA PLANTS AT TOGLIATTI. SOVIETS MIGHT BE MORE AMENABLE TO JOINT REQUEST BY BOTH COMPANIES FOR TELEX FACILITIES IN TOGLIATTI.

2) IF CHEMICO ESTABLISHES MOSCOW OFFICE AND OPENS ACCOUNT WITH BANK FOR FOREIGN TRADE, IT WILL HAVE RIGHT TO PURCHASE SO-CALLED "SERIES D" COUPONS USED AT DIPLOMATIC GASTRONOM IN MOSCOW. THESE CHECKS ARE SOLD ONLY TO ACCREDITED FIRMS, AND FIRMS WHICH MAINTAIN UNACCREDITED OFFICES IN MOSCOW ARE RESTRICTED

TO USE OF SO-CALLED "HARD-CURRENCY" GASTRONOM, WHERE PRICES ARE HIGHER AND RANGE OF GOODS IS NARROWER THAN AT DIPLOMATIC GASTRONOM. THIS IS ANOTHER ADVANTAGE WHICH A MOSCOW OFFICE WOULD ENTAIL FOR CHEMICO PERSONNEL IN TOGLIATTI. DUTY-FREE IMPORTATION OF CLOTHES AND MEDICINES FOR SPECIALISTS STATIONED AT TOGLIATTI SHOULD POSE NO MAJOR PROBLEMS, ASIDE FROM RATHER TIME-CONSUMING FORMALITIES AT MOSCOW CUSTOMS. UPON ARRIVAL IN MOSCOW, EACH CHEMICO TECHNICIAN BOUND FOR TOGLIATTI SHOULD COMPLETE SO-CALLED "T-6" CUSTOMS FORM, WHICH INCLUDES SPACE FOR LISTING ITEMS SENT SEPARATELY. ONE COPY OF "T-6" IS LEFT WITH CUSTOMS; SECOND COPY IS RETAINED BY EMPLOYEE, WHO MUST PRODUCE IT IN ORDER TO CLEAR SUBSEQUENT SHIPMENTS THROUGH CUSTOMS. THIS TECHNIQUE CANNOT RPT CANNOT BE USED IN CASE OF FOOD SHIPMENTS. EVEN ACCREDITED FIRMS ARE REQUIRED TO PAY DUTY ON FOOD SHIPMENTS.

3) BANKING ARRANGEMENTS DESCRIBED IN PARA 3 OF STATE REFTTEL APPLY IN CASE OF ACCREDITED COMPANIES. NON-ACCREDITED COMPANIES, EVEN THOSE WITH SUBSTANTIAL NUMBERS OF EMPLOYEES IN USSR, CANNOT OPEN HARD-CURRENCY ACCOUNTS WITH BANK FOR FOREIGN TRADE. SUCH COMPANIES CAN OPEN RUBLE ACCOUNTS, BUT THESE ACCOUNTS WOULD NOT BE VERY USEFUL FOR CHEMICO. IN FACT, WE ANTICIPATE THAT CHEMICO TECHNICIANS WILL BE HARD PRESSED TO SPEND THE RUBLE PER DIEM WHICH THEY WILL RECEIVE WHILE AT TOGLIATTI. AS EXAMPLE OF HOW SYSTEM OPERATES, RECENTLY-ARRIVED PERMANENT REPRESENTATIVE OF LLOYD'S BANK WERE UNABLE TO OPEN ACCOUNT WITH BANK FOR FOREIGN TRADE UNTIL THEY HAD COMPLETED NECESSARY PAPER WORK WITH THEIR ACCREDITING ORGANIZATION (GOSBANK).

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4) UNDER COMMERCIAL OFFICE'S ACCOUNTING PROCEDURES, IT WOULD NOT RPT NOT BE POSSIBLE FOR CHEMICO TO PAY FOR TELEXES AND OTHER SERVICES (XEROX COPIES, TYPING, TELEPHONE CALLS ETC) THROUGH ITS NEW YORK OFFICE. COMMERCIAL OFFICE WOULD, HOWEVER, BE ABLE TO PREPARE MONTHLY BILLS FOR CHEMICO COVERING ALL SERVICES PROVIDED.

5) IN EXPERIENCE OF COMMERCIAL OFFICE, R&R SCHEDULE PROPOSED BY CHEMICO WILL NOT BE SUFFICIENT TO SERVE PRINCIPAL PURPOSE OF MAINTAINING STAFF MORALE. WE WOULD ADVISE ONE WEEK OF R&R EVERY THREE MONTHS, AS A MINIMUM, WITH MORE LIBERAL ARRANGEMENTS IN FORCE DURING WINTER. PROBLEMS WHICH HAVE ARISEN IN PAST IN CONNECTION WITH EXIT VISAS FOR U.S. TECHNICIANS STATIONED IN USSR HAVE REFLECTED SOVIET CONCERN THAT WORK WOULD SUFFER DUE TO ABSENCE OF TECHNICIANS IN QUESTION. THIS PROBLEM WOULD CLEARLY BE LESS SEVERE IN CASE OF CHEMICO, WHICH WILL HAVE NUMBER OF TECHNICIANS ON SITE IN TOGLIATTI. CONSEQUENTLY, SOVIETS SHOULD BE LESS CONCERNED OVER ABSENCE OF ONE OR TWO MEMBERS OF GROUP. IN PAST, COMMERCIAL OFFICE'S INTERVENTION WITH APPROPRIATE FTO IN MOSCOW HAS SERVED TO EXPEDITE PROCESSING OF EXIT VISA APPLICATIONS OF U.S. TECHNICIANS.

6) ALTHOUGH COMMERCIAL OFFICE HAS NO DIRECT EXPERIENCE WITH MEDICAL AND DENTAL FACILITIES IN TOGLIATTI OR INFORMATION FROM LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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U.S. FIRMS, WE WOULD ASSUME THAT THESE FACILITIES COULD BE RATED MINIMALLY ACCEPTABLE UNDER EMERGENCY CONDITIONS. IF FACILITIES IN TOGLIATTI ARE INADEQUATE FOR SPECIFIC CASE, SOVIETS WOULD DOUBTLESS ARRANGE FOR TREATMENT IN MOSCOW, WHICH MAY OR MAY NOT BE APPRECIABLY BETTER. EVACUATION TO HELSINKI OR OTHER WESTERN CITY FOR MEDICAL AND DENTAL CARE IS WIDELY PRACTICED AMONG EMBASSIES AND OTHER FOREIGN ESTABLISHMENTS IN MOSCOW, AND WE BELIEVE THAT IT MIGHT BE USEFUL FOR CHEMICO TO MAKE CONTINGENCY ARRANGEMENTS IN HELSINKI PRIOR TO ARRIVAL OF ITS TECHNICIANS IN USSR.

7. FULL RANGE OF COMMERCIAL OFFICE SERVICES WOULD BE AVAILABLE FOR CHEMICO. AFTER ARRIVAL OF TECHNICIANS IN TOGLIATTI, WE WOULD PLAN TO BEGIN REGULAR MAILING OF EMBASSY NEWS BULLETIN, SPORTS NEWS, MAGAZINES ETC., AS WE DO FOR TECHNICIANS CURRENTLY AT KAMAZ.

4. COMMENT: IN VIEW RATHER DIFFICULT PROBLEMS WHICH ARE FACED BY U.S. TECHNICIANS WORKING IN USSR, WE BELIEVE THAT THIS SUBJECT COULD USEFULLY BE RAISED BY U.S. SIDE DURING NEXT MEETING OF JOINT COMMERCIAL COMMISSION. WE MIGHT SEEK SOVIET AGREEMENT TO EXTEND SAME CONDITIONS TO THESE TECHNICIANS AS ARE CURRENTLY

ENJOYED BY REPRESENTATIVES OF ACCREDITED FIRMS STATIONED IN MOSCOW.
ALTHOUGH COMMERCIAL OFFICE IS NOT AWARE OF PLANS TO SEND LUMMUS/
MONSANTO/PERSONNEL TO USSR IN CONNECTION WITH ACETIC ACID PLANT,
FACT THAT SOVIET MINISTRY OF FOREIGN TRADE REJECTED MONSANTO'S
APPLICATION FOR ACCREDITATION AT END OF 1975 INDICATES THAT LUMMUS/
MONSANTO TECHNICIANS WILL ENCOUNTER SUBSTANTIAL PROBLEMS ALONG
LINES OUTLINED ABOVE.

5. DURING FINAL STAGES OF CHEMICO-TEKHMASHIMPORT NEGOTIATIONS
IN JUNE 1974, WHICH TOOK PLACE IN COMMERCIAL OFFICE, COMMATT
MENTIONED TO CHEMICO NEGOTIATORS DESIRABILITY OF INCLUDING
AMONG CONTRACE PROVISIONS AS MUCH AS POSSIBLE ON CONDITIONS WHICH
SOVIETS WOULD PROVIDE FOR CHEMICO TECHNICIANS. ALTHOUGH COMMOFF
WAS NOT GIVEN COPY OF CHEMICO-TEKHMASHIMPORT CONTRACT, IT WOULD
APPEAR THAT THIS WAS NOT RPT NOT DONE. BEWT MIGHT WISH TO
DISCUSS WITH CHEMICO POSSIBILITY OF SEPARATE NEGOTIATION NOW OF
PROTOCOL TO BASIC CONTRACT WHICH WOULD COVER THESE PROBLEMS. AS A
MINIMUM, WE BELIEVE CHEMICO PROJECT MANAGERSHOULD COME TO MOSCOW
PRIOR TO ARRIVAL OF FIRST TECHNICIANS FOR IN-DEPTH
DISCUSSIONS OF MATTERS RAISED ABOVE WITH SOVIETS. PROJECT MANAGER
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SHOULD ALSO PLAN TO VISIT TOGLIATTI TO INSPECT LIVING FACILITIES
AND ESTABLISH CONTACTS WITH LOCAL OFFICIALS.
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